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STATE  
SENATE**



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***JUNE 25, 2000***

# SENATOR BILL MORROW



## CAPITOL UPDATE

### UNDERSTANDING THE FERC ORDER

The Federal Energy Regulatory Commission (FERC) order restricting wholesale electricity prices throughout the western states was published Tuesday, June 19th. Here is a summary from an initial review of supporting documents. The complete order can be viewed @ <http://www.ferc.gov/electric/bulkpower/eI00-95-031-6-19.PDF>.

- 1] The order applies around the clock to wholesale purchases of electricity in the spot market, i.e., electricity for immediate delivery, in the 11 western states (Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming).
- 2] Power sold in the spot market during an energy emergency [Stage 1, 2, or 3] would be limited to the price paid to the least efficient generator for the power needed to avoid a blackout.
- 3] During non-emergencies, the price for power could not exceed 85% of the price limit set in the previous emergency.
- 4] California wholesale rates during emergencies have a 10% premium tacked on because of the investor-owned utilities' lack of creditworthiness.
- 5] In California, the ISO will administer the order, using information on fuel costs and other data to determine each plant's cost of producing power and setting the top price a generator can charge, based on the least efficient producer called on to produce power. More efficient plants can earn profits.
- 6] All generators transmitting power on the California grid must sell available power when requested by the ISO.
- 7] Power marketers must accept the top price set by the ISO.
- 8] Out-of-state generators can't be paid more than the price set by the ISO.
- 9] The initial price limit when the order goes into effect at 12:01 A.M. on Wednesday, 6/20/01 is \$107.95 per megawatt hour (MWh).
- 10] The order will be in effect until 9/30/02.

**FERC PRESS RELEASE**  
**COMMISSION EXTENDS CALIFORNIA PRICE MITIGATION PLAN**  
**FOR SPOT MARKETS TO ALL HOURS, ALL STATES**  
**IN ENTIRE WESTERN REGION**

<http://www.ferc.fed.us/news1/pressreleases/mitigation.pdf>

**RELATED ARTICLES**

**Davis Demands Nearly \$9 Billion for Electricity Overcharges**—California Gov. Gray Davis demanded that power generators refund nearly \$9 billion in electricity overcharges and complained that federal regulators have "looked the other way while energy companies bilked our state."

[http://www.sacbee.com/news/beelive/show\\_story.cgi?power](http://www.sacbee.com/news/beelive/show_story.cgi?power)

**FERC: Can't Disclose West US Power Price Cap Amount** – The U.S. Federal Energy Regulatory Commission couldn't disclose the amount of its price cap on wholesale electricity in the western U.S. Wednesday afternoon, even though the price cap became effective Wednesday morning.

<http://quicken.excite.com/investments/news/story/djbn/?story=/news/stories/dj/20010620/BT20010620005489.htm&symbol=PCG>

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**HOT LOCAL TOPICS**

***LIBRARIES ? LIBRARIES ? LIBRARIES***

To balance the State Budget in 1992-93 and then again in 1993-94, the Legislature and Governor shifted property tax revenues from counties, cities, special districts, and redevelopment agencies to each county's ERAF to benefit schools — and the State General Fund.

The **Educational Revenue Augmentation Fund** ("ERAF") shifts hit library districts and some county free libraries especially hard. Many lost up to 40% of their discretionary funds and as a result have reduced their hours, bought fewer books, and cut programs. Because of their status as either non-enterprise special districts or as county districts, this group of libraries has few revenue raising options. While the Legislature has mitigated some of the losses for counties and cities and granted direct relief for some special districts, county free libraries in particular have received very little relief.

**SB 74 (Speier)** and **SB 94 (Torlakson)** were introduced to provide relief to local libraries. These two bills work together to exempt library districts and county general fund libraries from "ERAF."

*Both bipartisan measures passed unanimously off the Senate Floor and are now in the Assembly. For more information on these bills contact the Senate Republican Policy Office @ (916) 323-9221.*

### ***MAKING HEADLINES—***

#### **State Senate Passes Bill to Return Library Funds**

Local library professionals are rejoicing at the unanimous passage this week by the California Senate of a bill to restore property tax money their agencies lost during the budget crunches of the early 1990s.

<http://www0.mercurycenter.com/front/docs1/078001.htm>

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#### **GOVERNOR ABANDONS EDUCATION PLAN**

This week, Governor Davis abandoned his plan to provide funding to middle schools who choose to extend their school year. After receiving little backing from legislators and educators alike, Davis limited his plan to target schools that perform in the lowest 20% of the **Academic Performance Index (API)**. Even with the amendments, the governor couldn't muster up enough support. According to Republicans, school officials and parents, the governor's plan did not provide adequate flexibility and quality assurance.

To subscribe to an emailed text-only version of Senator Morrow's **Capitol Update** and other publications, go to <http://republican.sen.ca.gov/web/38/pubs.asp?sub=1>

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For information about **California's energy crisis**, go to <http://republican.sen.ca.gov/web/38/electrical.asp>

For information about the **soaring gasoline fuel costs** facing California's drivers, go to <http://republican.sen.ca.gov/web/38/gasoline.asp>